

FINANCIAL NEWS

AN THE SITUATION

Bearing of International Effort to Solve Foreign Credit Problem Important.

FOREIGN LOAN SITUATION

Effects of Striking Developments in Money World Are Far Reaching.

By WILLIAM JUSTUS BOIES.

With the leading nations formulating plans for reviving international commerce through a concerted effort to organize the credit resources of the world in support of the greatest relief loans in history, the investment situation has changed radically within the last few days. This is the most impressive declaration of financial interdependence that international financiers ever made and there is the best of reasons for believing that the project will succeed and that the coming financial conference will provide adequately for financing the restoration of world industry to a peace basis. It is a move of immense significance, and while its outcome cannot be foretold the fact that the conference will bring together the most competent specialists of international finance it seems likely that arrangements will be made for the different nations to resume trade intercourse before very long.

Important Progress.
This conference itself will be an achievement of immense importance, for although a dozen committees of bankers and business men have been trying to create a credit fund for relief work, the financial barriers involved have been too stupendous for any group of bankers to assume without Government support. This backing was rightfully withheld, and with the further demoralization of foreign exchange rates it loomed as if financial chaos would soon prevail throughout the territory of the weaker nations. While that development is highly gratifying, it imposes heavy burdens on our markets and means that the great nations from now on must set themselves to the task of curtailing non-essential credits and deferring their over-expanded currency issues.

Deflation Begun.
This means that the extremely interesting process of deflating the heavily expanded currency system of the belligerent governments is about to commence. The enormous loans which the warring international conference must sanction will become the dominating factor in the financial markets. The task is not altogether pleasant to contemplate, but since it is the most important salvage movement ever undertaken and the only escape from European demoralization the sooner the nations begin action the better it will be for neutral countries as well as the former belligerents. It emphasizes the warning by Gov. Harding of the Federal Reserve Board that during the transition period through which our banking system is passing and owing to the necessity of financing Europe in the meantime it is probable that "several years will elapse before an ideal relationship between goods and credit can be established and normal conditions restored." It is eminently proper in these circumstances that effective control of credit should be established in the effort to correct evils resulting from overexpansion and to arouse the people to the consciousness that we may afford all be living in a fool's paradise, and that the world's economic liberal investment in foreign securities are necessary if we wish to make our present apparent prosperity real and permanent.

Attractive Rates.
Belgium had to offer American investors last week more than 7 per cent. Income, together with the possibility of realizing a substantial profit through the appreciation of the Belgian franc in order to sell a \$25,000,000 issue of one and two year gold notes. Other borrowing governments may have to name more tempting terms in order to insure a quick marketing of their securities in the United States. A huge reconstruction loan backed by two or three governments might find a ready market here if advantageous terms were offered with the stipulation that the proceeds should be spent in this country. However this may be the pendency of these great foreign government loans means heavy burdens for our money market and that a thorough clearing of the markets of 1920 will witness such energetic bidding for capital as shall maintain interest rates upon a level considerably higher than the average quotations of 1919.

Bidding for Our Gold.
The plain fact is that the whole world has entered upon a vigorous scramble for American gold, with the chances heavily in favor of our losing most of what we have if currency inflation continues here and we go on expanding bank credits recklessly. It must be remembered that that possession at this time of our huge stock of gold is worth more than it ever has been, since it fortifies our leadership of international finance. This country has thus new responsibilities to reckon with, and although the risks are great, the rewards will be extraordinary if we give a good account of our stewardship and make the most of the extraordinary opportunity to continue as the bankers of the world. It is apparent, however, that we must strengthen our banking position and place our financial house in order so that we may be ready to take quick advantage of the opportunities which present themselves for enhancing our financial prestige abroad.

Dollar Credits.
It is difficult to understand how our immense foreign trade of last year was financed with foreign exchange rates as adverse as they were. The Government figures show an excess of exports over imports for the first eleven months of 1919 of \$1,711,000,000. Less than half of this amount, or \$1,257,949,481, was covered by our Government advances to foreign nations. The balance was largely met by direct loans floated in this market and by credits privately arranged. The adjustment of this huge account called for various forms of private financing and a variety of small loans made by American producers and exporters. Instead of gaining an enormous amount of gold on balance, the United States actually lost more than \$350,000,000 of the metal chiefly to Asia and South America. It is apparent therefore that the time is near at hand when the foreign trade situation may

turn, for it is unreasonable to expect that our prodigious export trade will continue in its present volume. There is no other way but to grant large credits to our foreign customers, provided that these credits cover only consumptive requirements and are not available for speculative purposes.

Impending Issues.
That action of the leading bankers of the important nations in changing the international conference to consider means of financing Europe over this troubled readjustment period will be helpful also in focusing public attention upon the necessity of having the world return to private initiative as soon as possible, so that governments may be released from their share in controlling business. It is of the highest importance that the whole world should return to the private realm of private initiative, except in so far as the stupendous government financing has necessitated the development of huge loan issues and underwritings incidental to war outlays. This new move

will be helpful also in forcing the people to take action to work and to save so that production may be increased and reckless spending stopped. That emphasis of great importance, and means also that the people must meet the increased cost of living by increasing their savings rather than by enlarging their indebtedness. It is fortunate that this program has been announced at the beginning of a period which in other years has been characterized by enormous financing for corporation expansion. Many corporation loans are under discussion now and it is probable that a good share of this financing will be announced, provided the loans are of a productive type.

In the light of these developments it is obvious that the failure of Congress to ratify the peace treaty has not been a disaster. It has only delayed the launching of a comprehensive relief program on the lines covered by Thursday's announcement. That great international loan was necessarily difficult to arrange for because of the numerous problems

which had to be solved in connection with the participation of various nations whose financial requirements could not be estimated without most painstaking investigation. Those charged with the task of lining up the great nations behind such a movement have been slow and to make sure of the essential support of all countries. The probability is that the coming conference will give the leading bankers of the world plenty of time to think about the details of the program. The details of the program are completed it is probable that a good many other foreign loans will be held up in order to enable the bankers to formulate a salvage program upon broad enough lines to provide for all urgent requirements.

Stock Market.
Converging upon the investment and speculative outlook in loan issues, based on such calculations the probable develop-

ments in the money market have to be reckoned with, for the whole world is gradually arraying itself against non-essential borrowings and the evils which attend heavy lending for speculative purposes. There is nothing in the situation to indicate serious money market disturbances provided the situation is intelligently handled and further large sums are not tied up in speculative ventures. The banks of the Federal Reserve System operating on an extremely low reserve margin it is easy to see that so long as production continues as heavy as it is there will not be much surplus credit to support speculation in any quarter. At the same time it must be remembered that Wall Street has largely reduced its loan account, and with the further decline just week in the badly inflated stock market many of the weak points have been eliminated. The Federal Reserve Board can with propriety continue its efforts to bring about a reduction in loan issues, on all commodities and foodstuffs carried at an inflated price level.

TOTAL TRANSACTIONS IN THE NEW YORK STOCK EXCHANGE

Week Ended January 17, 1920.

Sales for week										January 1 to date									
Range	High	Low	Open	High	Low	Open	High	Low	Close	Range	High	Low	Open	High	Low	Open	High	Low	Close
130.00	131.00	129.00	130.00	131.00	129.00	130.00	131.00	129.00	130.00	130.00	131.00	129.00	130.00	131.00	129.00	130.00	131.00	129.00	130.00
100.00	101.00	99.00	100.00	101.00	99.00	100.00	101.00	99.00	100.00	100.00	101.00	99.00	100.00	101.00	99.00	100.00	101.00	99.00	100.00
50.00	51.00	49.00	50.00	51.00	49.00	50.00	51.00	49.00	50.00	50.00	51.00	49.00	50.00	51.00	49.00	50.00	51.00	49.00	50.00
25.00	26.00	24.00	25.00	26.00	24.00	25.00	26.00	24.00	25.00	25.00	26.00	24.00	25.00	26.00	24.00	25.00	26.00	24.00	25.00
12.50	13.00	12.00	12.50	13.00	12.00	12.50	13.00	12.00	12.50	12.50	13.00	12.00	12.50	13.00	12.00	12.50	13.00	12.00	12.50
6.25	6.50	6.00	6.25	6.50	6.00	6.25	6.50	6.00	6.25	6.25	6.50	6.00	6.25	6.50	6.00	6.25	6.50	6.00	6.25
3.12	3.25	3.00	3.12	3.25	3.00	3.12	3.25	3.00	3.12	3.12	3.25	3.00	3.12	3.25	3.00	3.12	3.25	3.00	3.12
1.56	1.62	1.50	1.56	1.62	1.50	1.56	1.62	1.50	1.56	1.56	1.62	1.50	1.56	1.62	1.50	1.56	1.62	1.50	1.56
0.78	0.81	0.75	0.78	0.81	0.75	0.78	0.81	0.75	0.78	0.78	0.81	0.75	0.78	0.81	0.75	0.78	0.81	0.75	0.78
0.39	0.40	0.38	0.39	0.40	0.38	0.39	0.40	0.38	0.39	0.39	0.40	0.38	0.39	0.40	0.38	0.39	0.40	0.38	0.39
0.19	0.20	0.18	0.19	0.20	0.18	0.19	0.20	0.18	0.19	0.19	0.20	0.18	0.19	0.20	0.18	0.19	0.20	0.18	0.19
0.09	0.10	0.08	0.09	0.10	0.08	0.09	0.10	0.08	0.09	0.09	0.10	0.08	0.09	0.10	0.08	0.09	0.10	0.08	0.09
0.04	0.05	0.03	0.04	0.05	0.03	0.04	0.05	0.03	0.04	0.04	0.05	0.03	0.04	0.05	0.03	0.04	0.05	0.03	0.04
0.02	0.03	0.01	0.02	0.03	0.01	0.02	0.03	0.01	0.02	0.02	0.03	0.01	0.02	0.03	0.01	0.02	0.03	0.01	0.02
0.01	0.02	0.00	0.01	0.02	0.00	0.01	0.02	0.00	0.01	0.01	0.02	0.00	0.01	0.02	0.00	0.01	0.02	0.00	0.01
0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00

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